

City of Alexandria, Virginia

MEMORANDUM

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10-23-01

DATE: OCTOBER 10, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER⁵

SUBJECT: RECEIPT OF THE FISCAL YEAR 2001 ANNUAL REPORT OF THE
LANDLORD-TENANT RELATIONS BOARD

ISSUE: Receipt of the 2001 Annual Report of the Landlord-Tenant Relations Board.

RECOMMENDATION: That City Council receive the report.

DISCUSSION:

At its meeting of September 5, 2001, the Landlord-Tenant Relations Board unanimously approved the submission of the Board's 2001 Annual Report (Attachment I). The 2001 Annual Report includes:

- 1) Monitoring rental housing issues;
- 2) Review and application of voluntary rent guidelines;
- 3) Educational opportunities for apartment managers; and
- 4) Oversight of residential conversion assistance plans.

ATTACHMENT:

- I. 2001 Annual Report of the Landlord-Tenant Relations Board

STAFF:

Melodie Baron, Division Chief, Landlord-Tenant Relations
Mildrilyn Stephens Davis, Director, Office of Housing

Annual Report of the Landlord-Tenant Relations Board July 2000 to June 2001

I. Board Membership

Member Name	Category/Appointment or Resignation	Officer/Committee/Board Assignment
Sylvia Brennan	Homeowner (Appointed 4/2001)	
Shawn Brunton	Landlord (Appointed 5/2001)	
Anthony Brooks	Landlord (Appointment ended 3/2001)	
Cynthia Clare	Landlord	
Ludwig Gaines	Homeowner (Resigned 4/2001)	
Raymond Johnson	Homeowner	Human Rights Committee
Fletcher Johnston	Homeowner	Fair Housing Testing Program Advisory Committee
Joann Poladian	Landlord	Chairperson (7/00 to 12/00)
Richard Sforza	Tenant	Economic Opportunities Commission Vice Chairperson (1/01 to 6/01)
Otis Weeks	Tenant (Appointed 6/2001)	
Debra Zusman	Tenant	Alexandria Redevelopment and Housing Authority Vice Chairperson (7/00 to 12/00) Chairperson (1/01 to 6/01)

II. Fiscal Year 2001 Rental Market Conditions

The rental market in fiscal year 2001 continued to be extremely strong in the Washington D.C. Metropolitan area. As had been the case in fiscal year 2000, a number of issues affecting Alexandria's tenants resulted from the strength of the rental market, including high rent increases, lack of available rental units (particularly affordable units) and decreased participation in the Section 8 rental assistance program. In fiscal year 2001 the vacancy rate for multifamily properties was less than 2%.

III. Principal Board Activities

A. *Voluntary Rent Guidelines*

For over 20 years, the City has encouraged landlords to limit rent increases in accordance with the City's Voluntary Rent Guidelines. The Landlord-Tenant Relations Board makes recommendations to City Council on an annual basis regarding the adequacy of these guidelines. In previous years, the majority of landlords in Alexandria complied with the guidelines. However, because of the previously noted rental market conditions, in fiscal year 2000, staff and the Landlord-Tenant Relations Board noted a significant decrease in the number of landlords voluntarily complying with the guidelines. After reviewing market conditions, the Board recommended that the guidelines increase for the first time since 1993 from 7% to 7.5% for landlords paying utilities and from 4.5% to 5% at properties with tenant-paid utilities. However, in fiscal year 2001, the Board found that even though the guidelines had been increased, landlords were still not complying with the recommended percentages.

In preparing the fiscal year 2001 recommendations, the Board considered increases to the operating cost data compiled by the Institute for Real Estate Management (IREM) as well as rent increase data and annual vacancy surveys by Delta Associates, a national real estate consulting firm. The Board also considered increases in market rents for the City. In addition, the Board reviewed complaint data collected by the Office of Housing, as well as budgets prepared using rental property averages in Alexandria. A subcommittee of the Board prepared these budgets to provide a concrete analysis of anticipated landlord costs and current market conditions. In reviewing these data, the Landlord-Tenant Relations Board attempted to set the guidelines at a level which would account for inflation and property owners' increases in cost, without unduly burdening tenants.

After reviewing the data, the subcommittee determined, and recommended to the full Board, that the 5% annual increase for properties in which tenants

pay all utilities was adequate, and allowed landlords a reasonable return after accounting for increased expenses. However, the subcommittee determined that due to significant increases in utilities, the recommended percentage of 7.5% for properties where landlords pay utilities was insufficient. Sample budgets indicated that properties paying utilities that applied a 7.5% increase would lose money over the course of a year.

Unusual or capital improvements were not calculated by the Board in determining reasonable increase guidelines, as these are taken into consideration when determining whether or not a landlord is complying with the City's guidelines. The resolution adopting the Voluntary Rent Guidelines includes provisions which allow adjustments for unusual costs including capital improvements, major repairs or significant increases in taxes or assessments.

As a result of its review, the Landlord-Tenant Relations Board recommended to City Council that the Voluntary Rent Guidelines be increased to 9% for properties with landlord-paid utilities and remain at 5% for properties with tenant-paid utilities. At its February 13, 2001 meeting, City Council adopted Resolution 1991, establishing these percentages as the City's Voluntary Rent Guidelines.

B. *Application of Voluntary Rent Increase Guidelines*

When housing staff receives complaints of rent increases in excess of the City's Voluntary Rent Guidelines, staff contacts the landlord and asks that the increase, and increases for future tenants, be reduced to comply with the guidelines. In previous years, staff reported excellent compliance with these requests. However, in fiscal years 2000 and 2001, there had been a number of complaints in which staff had not been able to negotiate reductions which complied with the City's Voluntary Rent Guidelines. Two companies, Mark Winkler Company and the Alexandria (formerly Oakwood Apartments) had recurring complaints which staff was unable to mediate. The Landlord-Tenant Relations Board contacted these companies, and requested that the landlord justify these increases.

The Alexandria Apartments and Mark Winkler Company properties responded to the Landlord-Tenant Relations Board's request for information and justification. Both companies responded that increases in excess of the City's Voluntary Rent Guidelines had been necessary to cover costs of property renovations. Both of the responses also stated that rent increases in excess of the guidelines would not continue into the future once all rents had been brought up to market rates, and renovations were completed. After reviewing the correspondence from these properties, the Board accepted the justification of these properties, and asked that staff continue to review increases at the Alexandria and Mark Winkler Properties.

C. **Training Opportunities for Apartment Industry and Real Estate Professionals**

The Landlord-Tenant Relations Board annually sponsors a seminar which offers topics of interest to apartment owners and property management professionals. In fiscal year 2001 the Seminar was held on October 18, 2000, at the Cora Kelly Recreation Center, with approximately 40 persons in attendance. The 2001 Apartment Managers Seminar included segments on changes to the Virginia Residential Landlord-Tenant Act, information on the Fair Credit Reporting Act, apartment security and customer service for property managers.

In fiscal year 2001, the Landlord-Tenant Relations Board and the City's Fair Housing Testing Advisory Committee co-sponsored fair housing training in April to commemorate Fair Housing Month. Fair Housing training was also provided by City staff on-site for two property management companies and one real estate firm.

D. *Legislative Changes to Landlord-Tenant Laws*

Each year during the Virginia General Assembly session, staff and the Landlord-Tenant Relations Board follow legislation which will affect landlords and tenants in Alexandria. Legislation monitored in fiscal year 2001 included changes to the Uniform Statewide Building Code and to the Virginia Residential Landlord-Tenant Act.

E. **Monitoring of Rehabilitation and Relocation at Potomac West Apartments**

In November 2000, the Landlord-Tenant Relations Board held a public hearing for the tenants of Potomac West Apartments. Regency Development Associates, a wholly-owned subsidiary of Suntrust Bank, based in North Carolina, specializes in the development of affordable housing. Regency purchased Potomac West Apartments, financing the purchase and rehabilitation of this property through the sale of Low-Income Housing Tax Credits. Renovations to the property were expected to cost approximately \$17,500 per unit, and included repair of concrete walks, entry ways, parking lots and roof repairs. In order to improve accessibility to the property for persons with disabilities, the renovation created an accessible management office and one accessible unit, to be located adjacent to a newly-accessible entrance with a ramp to the parking lot. Also included in post-acquisition rehabilitation were improvements to kitchens and bathrooms, and repair of plumbing and electrical systems. A playground and a tot lot were included in the renovation plans as well.

A major aspect of the rehabilitation of Potomac West Apartments was the installation of central heat and air conditioning systems. Previously, the property had no central air conditioning system, although some residents

have window units. Heat was provided by antiquated baseboard systems which are very expensive to operate, with tenants paying utilities for the operation of the system.

At the November 1, 2000 public hearing before the Landlord-Tenant Relations Board on the Conversion Assistance Plan for Potomac West Apartments, residents complained of utility bills as high as \$200 per month for a one-bedroom unit. Residents noted that even without air conditioning, bills were extremely high during summer months. The developer was present, and advised the residents that rehabilitation was expected to result in lower utility bills.

The Conversion Assistance Plan submitted by Regency Development Associates was in accordance with the City's Housing Conversion Assistance Policy. The Landlord-Tenant Relations Board voted unanimously to recommend approval of the Potomac West Conversion Assistance Plan to City Council. City Council approved the plan at its December 16, 2000 meeting.